

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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CEA-02 CIEP-02 FEA-02 FPC-01 H-03 INT-08 L-03 NSC-07

OMB-01 PM-07 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 1765

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E.O. 11652 N/A

TAGS: ETRN, EPET, MX

SUBJ: CIVAIR: MEXICAN PETROLEUM MONOPOLY INCREASES PRICE OF
JET FUEL

1. THE SECRETARY OF INDUSTRY AND COMMERCE HAS ANNOUNCED THAT PRICES FOR JET FUEL CHARGED BY PEMEX, THE STATE PETROLEUM MONOPOLY, ARE INCREASED FROM 55 MEXICAN CENTAVOS PER LITER (AT DISTRIBUTOR STORAGE TANKS) TO 130 CENTAVOS PER LITER, AN INCREASE OF 136 PERCENT. THE DECREE EFFECTING THIS INCREASE BECAME EFFECTIVE MAY 10 AND IN ITS TEXT JUSTIFIES THE CHANGE ON THE GROUNDS THAT THE PRICE PREVIOUSLY CHARGED WAS CONSIDERABLY LESS THAN THAT PREVAILING IN OTHER COUNTRIES AND IN EFFECT CONSTITUTED A SUBSIDY BY PEMEX TO FOREIGN AND DOMESTIC AIRLINES.

2. THE PRICE INCREASE CAME AS A SURPRISE TO LOCAL MANAGERS OF U.S. AIRLINES WHO, AT A MEETING THIS MORNING ATTENDED BY EMBASSY TCO, DISCUSSED THE POSSIBILITY OF IMPORTING JET FUEL FROM U.S. UNDER ARTICLE 7B OF THE U.S.-MEXICO AIR TRANSPORT AGREEMENT AS AMENDED BY EXCHANGE OF LETTERS DATED JULY 31, 1970. BEFORE TAKING FURTHER ACTION, HOWEVER, U.S. MANAGERS AGREED

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INVESTIGATE IN DETAIL THE FOLLOWING QUESTIONS:

(A) COMPARATIVE COSTS OF IMPORTING FROM THE U.S. (B) AVAILABILITY OF SUPPLIES FROM ALLOCATIONS TO U.S. SUPPLIER UNDER A JOINT CONTRACT.

3. IN ADDITION, THE U.S. MANAGERS ASKED EMBASSY TO QUERY DEPARTMENT URGENTLY ON TWO POINTS: (A) HAS U.S. GOVERNMENT IMPOSED EXPORT RESTRICTIONS ON JET FUEL WHICH WOULD ELIMINATE U.S. AS SOURCE OF SUPPLY? (B) WHAT ARE THE TWO MEXICAN AIRLINES, AEROMEXICO AND MEXICANA, PRESENTLY PAYING FOR JET FUEL AT U.S. POINTS SERVED BY THEM?

4. IF ANALYSIS SHOWS IMPORTATION FROM U.S. OR OTHER SOURCES NOT ECONOMICAL OR POSSIBLE, U.S. CARRIERS MAY STILL ATTEMPT TO NEGOTIATE A LOWER PRICE WITH GOM, POSSIBLY USING ARGUMENT THAT MEXICAN AIRLINES ARE RECEIVING PREFERENTIAL TREATMENT. THERE IS SOME REASON TO SUSPECT THAT THIS MAY BE THE CASE SINCE NEITHER MEXICAN AIRLINE HAS PROTESTED THE INCREASE AND ON MAY 18 MEXICO CITY PRESS CARRIED STATEMENT BY SECRETARY OF NATIONAL PATRIMONY FLORES DE LA PENA TO THE EFFECT THAT NATIONAL AIRLINES WILL HAVE PREFERENTIAL TREATMENT AND THAT THE INCREASE IN PRICE WILL ONLY APPLY TO FOREIGN AIRLINES. FURTHER REASON TO SUSPECT THAT SOME HIDDEN ARRANGEMENT MAY HAVE BEEN MADE WITH NACAO, PRINCIPAL DISTRIBUTER OF JET FUEL, IS CIRCUMSTANCE THAT NACOA IS TWO-THIRDS OWNED BY MEXICANA AND AEROMEXICO.

5. COMMENT: DESPITE ALLEGED STATEMENT BY FLORES DE LA PENA EMBASSY BELIEVES IT WOULD BE DIFFICULT TO PROVE THAT MEXICANA AND AEROMEXICO ARE IN FACT RECEIVING REBATES OR DISCOUNTS. TO ASSIST U.S. COMPANIES IN THEIR INVESTIGATIONS EMBASSY WOULD APPRECIATE ASAP DEPARTMENT'S COMMENTS AND GUIDANCE.
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